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Summary record of the 3rd meeting
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Chairman: Ms. Wensley ..... (Australia)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

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The meeting was called to order at 10.05 a.m.

Organization of work (A/C.5/54/L.1/Rev.1 and A/C.5/54/L.2)

1. **The Chairman** drew attention to the revised note on the status of preparedness of documentation for the Fifth Committee (A/C.5/54/L.1/Rev.1) and the proposed programme of work (A/C.5/54/L.2).

2. **Mr. Herrera** (Mexico), speaking on behalf of the Rio Group, said that, in view of the significant changes and progress made in the area of procurement reform, the Rio Group would like to state its position on the subject in a formal meeting prior to the consideration of the matter in informal consultations.

3. **Ms. Incera** (Costa Rica) said that she hoped to have an opportunity, prior to the Committee's discussion of the programme budget, to raise certain issues concerning some of the services provided to delegations at Headquarters.

4. **The Chairman** said she took it that the Committee wished to adopt the proposed programme of work, as amended to reflect the concerns expressed by the Mexican and Costa Rican delegations.

5. *It was so decided.*

Agenda Item 129: Financing of the United Nations Angola Verification Mission and the United Nations Observer Mission in Angola (A/53/1018)

6. **Mr. Choi** (Assistant Secretary-General for Planning and Support) introduced the report of the Secretary-General on the findings, observations and recommendations contained in the report of the Office of Internal Oversight Services (OIOS) on the audits of the procurement process in the United Nations Angola Verification Mission (UNAVEM) (A/53/1018). The report focused on the measures taken by the Secretariat and by UNAVEM to address problems in the Mission's procurement process. Interaction and consultation between OIOS and the Department of Peacekeeping Operations had made it possible to implement corrective measures and audit recommendations successfully, with the result that the Office's follow-up audit in July 1999 had found that most of its recommendations had been acted upon.

7. In order to address the OIOS recommendations, the Department of Peacekeeping Operations had conducted an in-depth review of procurement activities in Angola and had found management deficiencies, but no evidence of fraud or financial abuse. Owing to those deficiencies, the former Chief Procurement Officer of the Mission had been removed and had subsequently separated from the Organization. In addition, a procurement assistant had been relieved of procurement duties, then removed from the Mission, and a letter of caution had been issued to him. The Mission's Procurement Section had been revamped, more experienced procurement personnel had been deployed and internal controls had been strengthened, particularly in relation to the monitoring of how requisitions were processed and management review of individual procurement actions.

8. The Mission was still implementing the OIOS recommendations on the recovery, from the host Government, of clearing agents' fees and stevedoring charges. Both OIOS and the Department of Peacekeeping Operations had reviewed in depth the procurement of goods for quartering areas and had found deficiencies and untidy handling of the procurement exercise, but no evidence of malfeasance, and had concluded that the Organization had suffered no actual financial loss.

9. **Mr. Mselle** (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that the Advisory Committee normally did not report separately on OIOS reports, but considered the latter in conjunction with the agenda items before it. The Advisory Committee had reviewed the report of the Secretary-General (A/53/1018), as well as the report of the Board of Auditors on peacekeeping operations (A/53/5 (Vol. II)). Its comments in respect of procurement activities in UNAVEM and the United Nations Observer Mission in Angola (MONUA) were contained in document A/53/940. In paragraph 14 of that report, the Advisory Committee had expressed its concern about the procurement irregularities identified by the Board with regard to UNAVEM and MONUA, and had recommended that the circumstances that had led to those irregularities and shortcomings should be thoroughly investigated and that the lessons learned should be applied to other peacekeeping missions. The report of the Secretary-General addressed those concerns by indicating, in paragraph 31, that the lessons learned from UNAVEM and MONUA would be applied to procurement at Headquarters and in other peacekeeping operations.

10. **Mr. Sareva** (Finland), speaking on behalf of the European Union, the associated countries Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia and, in addition, Norway, said that he regretted the late submission of the Secretary-General's report on the implementation of measures to address the procurement problems in UNAVEM (A/53/1018), which the General Assembly had requested in successive resolutions. He took note of paragraphs 4 and 7

of the report, which described the measures taken to ensure adherence to the procedures established in the Procurement Manual and the review of accounts to ensure that only valid financial obligations were retained. However, he disagreed with the indication, in paragraph 6, that belated action in respect of stale requisitions did not amount to careless management, but rather reflected deficiencies in the training of staff. Knowledge of and respect for procurement procedures should have been a prerequisite for the selection of procurement staff, and the appointment of untrained staff had indeed been an instance of careless management.

11. He was pleased to note the establishment and continuous updating of the Mission's vendor roster and the use of the Procurement Division's vendor roster to increase the number of firms invited to submit bids. He also noted that the Chief Procurement Officer had disregarded established procedures by signing a contract for air charter services before the award had been approved, and that the Chief Administrative Officer had initiated termination of that contract, with the result that the Organization had not suffered any financial loss. He looked forward to the report of OIOS on the procurement of goods for quartering areas. With respect to the payment of clearing agents' fees and stevedoring charges, he asked when the Organization would be compensated by the Angolan Government. With respect to the action taken concerning the former Chief Procurement Officer and a procurement assistant, he wondered whether financial rule 114.1 and staff rule 112.3 had been applied in those cases for the recovery of losses attributable to negligence or violation of regulations, rules or instructions, in accordance with staff rule 103.18 (b) (ii).

12. The report of the Board of Auditors on peacekeeping operations (A/53/5 (Vol. II)) had indicated that a one-year contract for the provision of rations to MONUA, which had come into effect on 25 September 1995, had been extended on four occasions without fresh bids and despite poor performance, unauthorized substitutions and shortfalls in the quality and quantity of the food supplied. That report had also referred to deficiencies concerning the contract for support services in MONUA. He asked the Secretariat to comment on those problems, which seemed to indicate that the corrective measures taken had not stopped irregularities and financial losses to the Organization. Since the problems in UNAVEM seemed to point to a general problem with procurement in the field, he urged the Procurement Division to continue to reinforce the procurement process in all field operations.

13. **Mr. Wharton** (United States of America) said that, while he welcomed the remedial action taken to address procurement deficiencies in UNAVEM, he questioned why it had taken the Secretariat so long to submit its report, which the General Assembly had requested on three separate occasions. The report had met the extended deadline of 30 June 1999, but it should have met the original deadline, since the General Assembly had expressed deep concern about the deficiencies documented by OIOS. The current report seemed to provide assurances that corrective action had been taken and that those problems would not recur in future operations. He looked forward to the Secretary-General's report on the procurement of goods for quartering areas, which would be submitted after OIOS had completed its investigation of the matter.

14. At a time of rapid expansion of United Nations peacekeeping operations, it was important to stress that procurement malpractices and deficiencies could not be tolerated. The Secretariat should formulate, in writing, a concrete plan for correcting problems with peacekeeping procurement, such as those which had arisen in UNAVEM. Such a plan should establish the accountability of individuals responsible for procurement abuses.

Agenda item 130: Financing of the activities arising from Security Council resolution 687 (1991)

(a) United Nations Iraq-Kuwait Observation Mission (A/53/1023; A/54/418)

15. **The Chairman** recalled that, in its resolution 52/238, the General Assembly had expressed deep concern about the overpayment of mission subsistence allowance, the inaccuracy of the earlier estimate of the amount overpaid, and the delay in reporting the matter to the General Assembly. It had requested the Secretary-General to continue his efforts to recover the overpayment of mission subsistence allowance in the revised estimated amount of $6,312,201.53 and to submit a report to the General Assembly at its fifty-third session.

16. **Mr. Choi** (Assistant Secretary-General for Planning and Support), introducing the report of the Secretary-General on the financing of the activities arising from Security Council resolution 687 (1991): United Nations Iraq-Kuwait Observation Mission (A/53/1023), said that the report presented the outcome of a thorough review and analysis by the Secretariat of the payment of mission subsistence allowance in UNIKOM. It had been prepared in consultation with all the offices and departments concerned.

17. The report focused on two main areas: payment of mission subsistence allowance to staff members, and payments to military observers. Recovery of overpayments from staff members was almost complete, although a number

of cases were pending before the Joint Appeals Board (JAB). Military observers did not have access to that mechanism.

18. Three main categories of overpayments to military observers had occurred. Regarding the first category, payment of mission subsistence allowance for compensatory time off taken in the home country, UNIKOM Notes for the Guidance of Military Observers on Assignment had exceptionally allowed such payments based on the outcome of a field survey and a decision by the Office of Human Resources Management. With respect to the second category, payment of mission subsistence allowance for leave days taken in advance of their accrual, in the majority of cases leave with payment of mission subsistence allowance had subsequently been accrued by the individuals concerned and offset against prior authorized absence. It was in the third category, payment of mission subsistence allowance for unearned compensatory time off, that the greatest variance had arisen, because of the method used in UNIKOM to calculate compensatory time off. It must be stressed, however, that in compensation for continuous work on a regular basis military observers in UNIKOM were allowed a maximum of 56 days per calendar year as compensatory time off. By comparison, a normal five-day working week with two days off at weekends resulted in 104 days off duty each year, almost double the amount of compensatory time off granted to military observers.

19. The problems described in the report had arisen in large part because of the complexity of the old mission subsistence allowance policies and procedures, which had also contributed to the length of time it had taken for the Secretariat to arrive at the conclusions presented in the report. That difficulty had been rectified with the promulgation of a new mission subsistence allowance policy in administrative instruction ST/AI/1997/6 of 20 October 1997. The new policy had proven to be considerably easier to understand and administer.

20. **Mr. Mselle** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the report of ACABQ on the financing of the activities arising from Security Council resolution 687 (1991): United Nations Iraq-Kuwait Observation Mission (A/54/418), said that the Advisory Committee had concluded that no action should be taken by the General Assembly on the issue of overpayments pending the outcome of the cases that were still in litigation. That decision had not been easy, and the Advisory Committee had considered a number of alternatives, but ultimately it had been agreed that that was the best course of action under the circumstances, since every effort must be made not to interfere with the judicial process. The Advisory Committee would return to the issue once that process was completed and the facts of the case had been clarified. In accordance with current procedures, the Advisory Committee received the text of all judgements of the Administrative Tribunal. It would inform the General Assembly of the impact on the Organization of the decisions reached by the Tribunal in the cases in question.

21. **Mr. Monayair** (Kuwait) pointed out that the report of the Secretary-General on financing of the activities arising from Security Council resolution 687 (1991): United Nations Iraq-Kuwait Observation Mission (A/53/1023), issued in late July 1999, had been long overdue. The overpayments were attributable to negligence on the part of UNIKOM officials and the failure to implement the recommendations made in 1993 by the United Nations Board of Auditors. He rejected the contention contained in the report that overpayment had been attributable to lack of clarity in the mission subsistence allowance policies, as such policies were similar in all peacekeeping operations. He therefore wished to have a clearer idea of the intractable complexity of the procedures entailed which had allegedly caused a lack of clarity between 1993 and 1996. No review had been undertaken, even though official attention had been drawn to the matter. As a result, instructions in connection with those procedures could still be differently interpreted and applied, a situation which was unacceptable to his delegation.

22. In the present United Nations climate, which advocated transparency, reform and accountability, it was difficult to understand the Secretary-General's decision not to initiate proceedings in respect of any officials at the current stage and the failure to devote maximum attention to the matter. Full of contradictions and inconsistencies, the report failed to respond adequately to the requests contained in General Assembly resolution 52/238. Moreover, it was unfair that a State which voluntarily contributed two-thirds of UNIKOM costs on the basis of its profound faith in the principles of the United Nations should be drawn into such conflict and suffer the consequences of faults committed by others and the longstanding failure to take corrective action. In that connection, he reasserted his previously stated position that Kuwait bore no responsibility for the overpayment and expressed his hope that the matter would be settled without prejudicing its voluntary contribution, of which over $4 million had thus far been disbursed.

23. **Ms. Trönningsdal** (Finland), speaking on behalf of the European Union, the associated countries Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia and, in addition, Iceland and Norway, said that it was regrettable that the Secretariat had taken such a long time to conduct its review. Also, it was disturbing that, because of the lack of

analysis previously, inaccurate information had been provided to the General Assembly.

24. It appeared from the report of the Secretary-General that problems had arisen with respect to payments to military observers, because of an overly restrictive interpretation of the previous policies on mission subsistence allowance and time off. Indeed, the payments had actually been made in accordance with the provisions of the UNIKOM standard operating procedures and the Notes for Guidance of Military Observers on Assignment. The European Union would therefore be willing to accept the Secretary-General's recommendation with respect to the military observers. She asked whether the outcome of the ongoing litigation, which had been initiated by civilian staff members, would have any bearing on the situation of the military observers, noting that there appeared to have been differences in the treatment of those two categories of personnel in terms of their conditions of service and the policies applied to them. The European Union hoped that the simplified mission subsistence allowance policy that had come into force would enable the Organization to avoid similar cases in the future.

25. **Mr. Odaga-Jalomayo** (Uganda) said that the overpayment of mission subsistence allowance in UNIKOM was of great interest to his delegation. The United Nations must have very clear policies in place, as well as administrative instructions for their implementation. It appeared from the reports of the Secretary-General and ACABQ that the complexity of the old mission subsistence allowance policy and procedures and, more importantly, the considerable potential for varying interpretations and applications had contributed to the overpayments in UNIKOM. However, the problem of overpayments had arisen in other missions too, and the Headquarters Administration should not therefore try to shift responsibility to staff in the field.

26. The most recent inquiry by the Office of Internal Oversight Services had revealed that the very strict application of mission subsistence allowance procedures to military observers had resulted in a considerable overestimation of the overpayments, necessitating a re-evaluation of the decision on recovery taken by the General Assembly in its resolution 51/234, while the Office of Legal Affairs (OLA) had concluded that the technical violations of the procedures for payment of mission subsistence allowance to military observers had resulted in little or no additional cost to the Organization. Given that the procedures were similar to those used for payments to civilian staff, the conclusion drawn by OLA with respect to overpayments to military observers should also hold true in the case of civilian staff. His delegation had noted the recommendation of ACABQ that the General Assembly should take no action on the issue of overpayments until the litigation under way had been completed. It was convinced that, whatever the General Assembly's ultimate decision, it must be seen to be fair and just to both the military observers and the international civilian staff. The Secretary-General should therefore have sought the General Assembly's approval for the complete cessation of recovery action against both categories of personnel.

Agenda item 118: Review of the efficiency of the administrative and financial functioning of the United Nations (A/52/887 and A/52/1010; A/53/271 and Corr.1 and Add.1 and A/53/692; A/C.5/52/46)

Procurement reform

27. **Mr. Niwa** (Assistant Secretary-General for Central Support Services) said that the Secretariat had closely followed the discussions on procurement reform at the fifty-third session and had acted immediately on a number of the suggestions made in the Committee.

28. The first of the concerns which the Committee had expressed was transparency in the procurement process. The process had now not only been made transparent, but placed in the public domain by means of the Procurement Division Web site, which contained all pertinent information for vendors and provided a public facility for channelling complaints. The second concern had been maximizing competition to ensure equity to suppliers and the lowest possible cost to the Organization. Posting advance information on the Web site, including the results of the annual procurement planning exercise, had significantly increased competition.

29. A third concern had been fostering greater participation by vendors from developing countries and countries with economies in transition. The Procurement Division had taken an active part in creating guidelines for selection of venues for the annual inter-agency procurement meetings conducted under the aegis of the UNDP Inter-Agency Procurement Services Office (IAPSO), and had also briefed visitors and missions from developing countries and countries with economies in transition. The video and CD-ROM project to provide procurement information was complete and ready for demonstration. In the area of statistics, Member States currently enjoyed more comprehensive statistical information on procurement, which for the first time incorporated information on field procurement.

30. Those developments were the result of only a few months' work, and much remained to be done, but with an

invigorated Procurement Division, the momentum could be sustained and greater efficiency achieved in procurement activities.

31. **Mr. Herrera** (Mexico), speaking on behalf of the Rio Group, said that the Group attached great importance to the subject of procurement, since participation by Latin American countries in United Nations procurement was practically non-existent. The Procurement Division must uphold the principle of equal opportunity for all rostered vendors and contracts must be awarded in conformity with the Financial Regulations. The Rio Group, which supported the coordination of procurement by all bodies of the United Nations system in order to promote economies of scale and streamline administrative procedures, would like more information on the Common Financial Regulations for Procurement developed by the Working Group on Procurement.

32. The progress in dissemination of information on bidding was commendable, and the Web site was extremely useful. More progress was needed, however, to enable companies from developing countries to participate on an equal footing. United Nations practice was incompatible in some areas with common practices in international trade, for example, utilizing its own system of classification for goods and services, and financial regulations which did not authorize the Organization to issue letters of credit, making participation more difficult for some companies and increasing the cost of goods procured.

33. Subsequent to the recent informal consultations, the Procurement Division had implemented a suggestion from the Rio Group that all companies on the vendors' roster should be invited to bid for contracts, and it would be interesting to hear the results of that experiment. Finally, the Group would like to receive an update on progress made in annual procurement planning.

34. **Mr. Lahdesmaki** (Finland), speaking on behalf of the European Union, said that the Union welcomed the progress made in improving the efficiency, competitiveness and transparency of procurement over the past six months. The Web site would be a useful tool, and should be further developed and updated on a regular basis. He underlined the importance which the European Union attached to its proposal on restricting procurement opportunities.

35. **Mr. Lozinsky** (Russian Federation) said that his delegation would like to know if the report on procurement-related arbitration requested in resolution 53/217 would be ready for consideration as scheduled.

36. **Mr. Sulaiman** (Syrian Arab Republic) said that his delegation stressed the need to increase the participation of developing countries in procurement, and would like to learn more about the criteria used in selecting States to be visited by the UNDP/IAPSO Inter-Agency Procurement Working Group.

37. **Mr. Adam** (Israel) said that his delegation attached great importance to procurement in the work of the United Nations, and welcomed the development of the new Web site.

38. **Mr. Rajeh** (Saudi Arabia) said that his country's private sector had expressed interest in receiving a visiting mission to allow procurement officials to become familiar with its vendors.

39. **Mr. Niwa** (Assistant Secretary-General for Central Support Services) said that new and revised Common Financial Regulations on Procurement had been developed, and had been adopted by some funds and programmes with the support of ACABQ. The Procurement Division had focused mainly on the associated rules, which were now being reviewed. The Committee might wish to discuss in depth one important change to the Regulations, the introduction of the value-for-money concept, not previously used at the United Nations, in addition to the lowest acceptable bid. Regarding planning, forward planning for procurement was an ongoing process, rather than a once-a-year exercise, in which connection the Internet now proved very useful.

40. With regard to criteria for the selection of venues, the Inter-Agency Procurement Working Group encompassed the Secretariat, funds and programmes, the specialized agencies and the Bretton Woods institutions. Although the Secretariat had input into its decisions, the Working Group operated by consensus when making selections. In general, preference was given to developing countries, countries with economies in transition and underutilized major donors. Copies of the relevant guidelines were available.

Other matters

41. **Ms. Incera** (Costa Rica) said that, in the recent renovation of the staff cafeteria various practicalities and the needs of delegates had not been taken into account. Although prices had increased, the quality of the food was much lower. She would like an assurance that the level of service in the cafeteria would improve. She asked for the bids submitted and the current contract for the operation of the cafeteria to be made available. It appeared that a six-year contract had been awarded, with a renewal option, which would explain why the level of service was unsatisfactory. She trusted that the Secretariat would take action to improve matters.

The meeting rose at noon.